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# **OPPORTUNITIES IN AGRIBUSINESS: ATTRACTING SECOND GENERATION INVESTMENT**

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- **WHAT IS THE OBJECTIVE?**
  - **ATTRACT CREDIBLE INVESTORS COMMITTED TO A SUCCESSFUL PROJECT**
  - **WORK WITH THE PRIVATE SECTOR TO BOOST JOBS AND CREATE SUSTAINABLE DEVELOPMENT IN NIGERIA**
- **WHAT IS THE CREDIBLE INVESTOR'S OBJECTIVE?**
  - **REDUCING INVESTMENT RISK**
  - **MAKING A PROFIT**



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## **IS THERE FOREIGN DIRECT INVESTMENT (FDI) IN THE AGRICULTURAL SECTOR IN NIGERIA?**

**IN THE APRIL 2009 *INVESTMENT POLICY REVIEW OF NIGERIA* CONDUCTED BY UNCTAD, THE STUDY FOUND THE FOOD AND BEVERAGE MANUFACTURING SECTOR GREW ITS FDI, REPORTING THAT IN 2000 A LITTLE MORE THAN \$5 MILLION WAS INVESTED IN THE SECTOR, YET BY 2005 INVESTMENT HAD MORE THAN DOUBLED TO MORE THAN \$14 MILLION.**

**THERE ARE SUCCESSES IN DEVELOPING THE SECTOR, BUT INVESTMENT IS WOEFULLY SHORT OF WHAT IS NEEDED TO GROW AND SUSTAIN THE SECTOR. THERE IS A MARKET!**



- **THE NIGERIAN MARKET:**
  - 140 MILLION NIGERIANS AND GROWING
  - MARKET DESIRES LOCALLY GROWN PRODUCTS TO REPLACE EXPENSIVE IMPORTS
  - A BURGEONING NIGERIAN MIDDLE CLASS WHOSE TASTES ARE CHANGING FOR HIGHER QUALITY GOODS
  - FORMERLY THE “BREAD BASKET” OF AFRICA, NIGERIA HAS THE POTENTIAL TO GROW AND RESTORE THAT POSITION WITH INTRODUCTION OF NEW TECHNOLOGIES FOR CORE PRODUCTS SUCH AS RICE, SORGHUM, CASSAVA, MAIZE AND OTHER COMMODITIES
  - SURROUNDING COUNTRIES HAVE POTENTIAL FOR NEW EXPORT MARKET FOR AGRIBUSINESS SALES IN THE NEAR FUTURE



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- **THE GOOD NEWS – INVESTMENT IN AGRIBUSINESS HAS BEEN IDENTIFIED AS A PRIORITY, HAS BEEN DONE SUCCESSFULLY AND THE MARKET WILL CONTINUE TO GROW**
- **TO HARNESS THE FUTURE, ONE MUST PLAN NOW TO BUILD ON SUCCESS**
  - **DEVELOP A STRATEGY NOW FOR FUTURE GROWTH.**
  - **ALWAYS HAVE THE NEXT STEPS ON THE RADAR**
  - **STRENGTHEN EXISTING INVESTMENTS TO MAKE THE MARKET ATTRACTIVE FOR INTRODUCTION OF NEXT GENERATION PRODUCTS AND RESULTING SALES**
  - **IDENTIFY PRODUCTS THE GROWING DOMESTIC MIDDLE CLASS WANTS AND SATISFY THOSE NEEDS**



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## **POTENTIAL SOURCES OF EQUITY, FINANCING AND INSURANCE FOR SECOND GENERATION INVESTMENT, INCLUDING:**

- **NIGERIAN DIASPORA**
- **“ANGEL” INVESTORS AND SOCIALLY RESPONSIBLE INVESTORS**
- **PRIVATE EQUITY AND VENTURE CAPITAL**
- **MULTILATERAL DEVELOPMENT BANKS**
  - **INTERNATIONAL FINANCE CORPORATION (IFC)**
  - **MULTILATERAL INVESTMENT GUARANTEE AGENCY (MIGA)**
  - **AFRICA DEVELOPMENT BANK (AFDB)**
- **OVERSEAS PRIVATE INVESTMENT CORPORATION (OPIC)**
- **EXPORT IMPORT BANKS**
- **PRIVATE BANKS**



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## **WHAT ARE SOME OF INVESTMENT OPPORTUNITIES THAT WOULD HELP THE AGRIBUSINESS SECTOR GROW?**

### **PRIVATE SECTOR OPPORTUNITIES THAT COULD SHOW REAL GROWTH:**

- **FARMING MECHANIZATION**
  - **EQUIPMENT LEASING**
  - **EQUIPMENT DISTRIBUTION AND SERVICING COMPANY**
- **COLD STORAGE SYSTEM**
- **STRONG SUPPLY CHAIN**
- **POWER DEVELOPMENT**



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## **WHAT WILL PARTNERS AND/OR FINANCIERS LOOK FOR IN AN INVESTMENT?**

- **A SOUND BUSINESS PLAN WITH PROPER SCALE/STAGING**
- **COMMERICAL VIABILITY**
- **PARTNER CAPITAL**
- **A MARKET FOR THE PRODUCT**
- **EXPERIENCED MANAGEMENT**
- **THE ABILITY TO REPAY THE LOAN, MEANING CONTRACTS FOR PURCHASE OF THE PRODUCTION**
- **A EQUITY HOLDERS, A RATE OF RETURN ON THEIR INVESTMENT IN A TIMELY FASHION**





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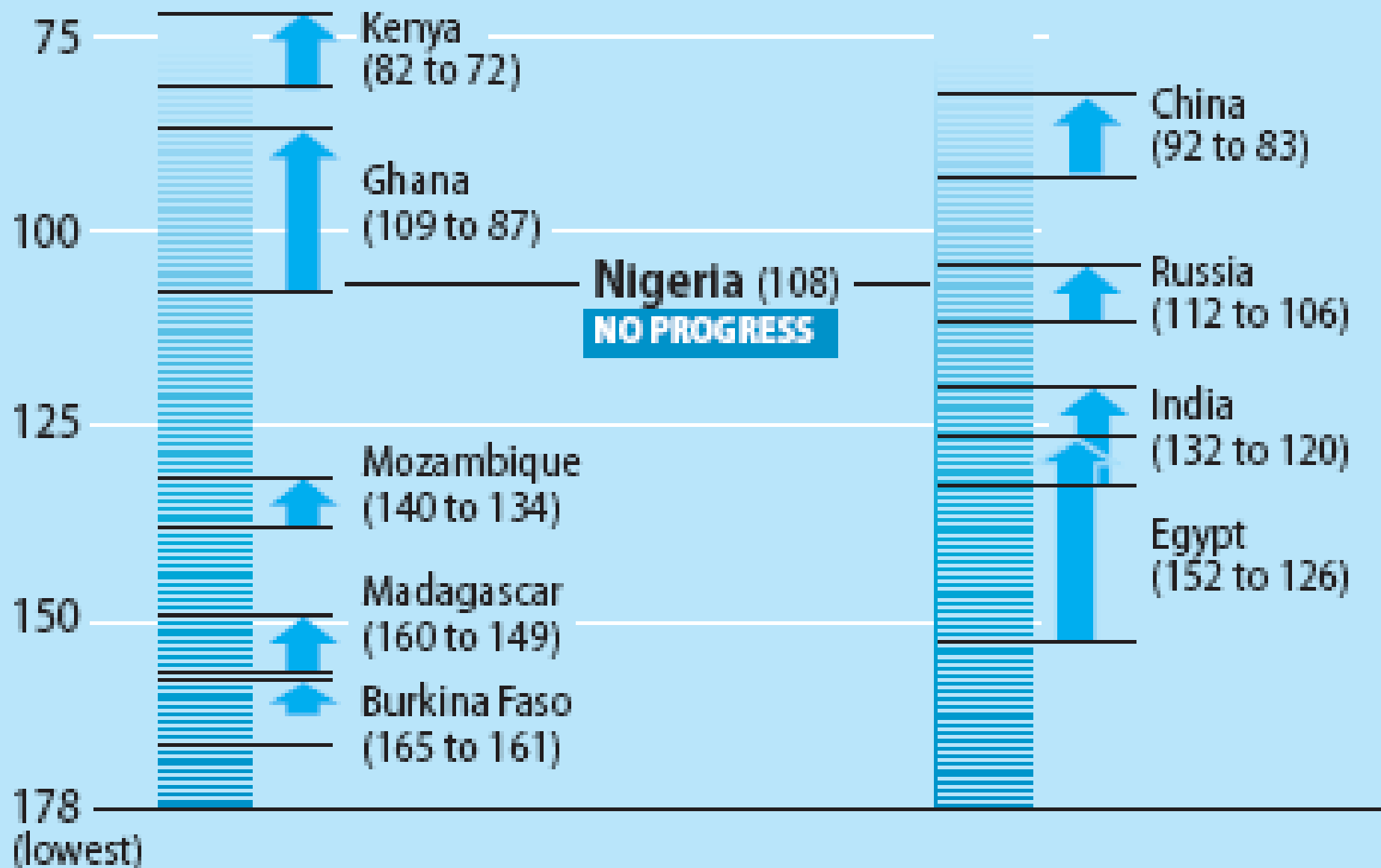
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## WHAT DO 2<sup>ND</sup> GENERATION INVESTORS WANT TO SEE?

- EXISTING SUCCESSFUL BUSINESSES AS A DEMONSTRATION EFFECT
- RULE OF LAW
- QUICK REGISTRY OF A BUSINESS
- SWIFT REGISTRY OF LAND AND A LAND TITLE REGIME
- ENFORCEMENT OF CONTRACTS AND DUE PROCESS IN DISPUTES
- EXPEDIENT AND TRANSPARENT PERMITTING PROCESS
- AN ATTRACTIVE TAX REGIME
- EASE IN SECURING CREDIT
- SOUND AND RELIABLE IMPORT/EXPORT PROCEDURES

**BUSINESSES WILL TURN TO THE ANNUAL *WORLD BANK DOING BUSINESS INDICATORS* AND *UNCTAD'S INVESTMENT POLICY REVIEW* TO DETERMINE THEIR APPETITE FOR NIGERIA**

## Improvement in ranking on ease of doing business (2007 to 2008)



Source: Doing Business database.

# Nigeria's Top Performing States

Source – 2008 World Bank Doing Business Indicators Power Point May 20, 2008

Indicator	Nigeria's performance in Doing Business 2008*	Best performing state	Best practice
Procedures to start a business	9	Abuja, FCT	5
Days to open a business	34	Abuja, FCT	22
Cost to open a business	57%	Abuja, FCT	37%
Procedures to build a warehouse	18	Bauchi, Kaduna	12
Days to build a warehouse	350	Sokoto	46
Cost to build a warehouse	1,016%	Kaduna	142%
Procedures to register property	14	Abuja, FCT, Bauchi	12
Days to register property	82	Kano	38
Cost to register property	22.2	Abuja, FCT	9%
Days to enforce a contract	457	Abia	315
Cost to enforce a contract	32%	Kaduna	13%

\* In the global Doing Business report, Nigeria is represented by Lagos

# Conclusion of World Bank Doing Business Indicators 2008

- Potential for improvement in ranking

**“Nigeriana” - 51**

**Taiwan – 50**

**Botswana – 51**

**Italy – 53**



**Nigeria - 108**

Ethiopia – 102

Bangladesh – 107

Nepal – 111



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- **THE BAD NEWS:**
  - **THE 2009 DOING BUSINESS REPORT FOR NIGERIA, TABULATED THAT NIGERIA ACTUALLY SLIPPED IN THE REVISED INDICATORS FROM THE ADJUSTED 2008 REPORT OF 114 TO 118 IN 2009. THIS CREATES AN UPHILL BATTLE FOR ATTRACTING FDI.**
  - **RECOGNIZING THESE CHALLENGES, HOW DOES THE BUSINESS PERSON IN NIGERIA MOVE FORWARD?**



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- **NEXT STEPS TO ATTRACT 2<sup>ND</sup> GENERATION INVESTMENT**
    - **CONTINUE TO DEVELOP AND SHOWCASE SUCCESS STORIES IN THE SECTOR, INCLUDING THE MARKETS PORTFOLIO**
    - **LOOK TO THE CONSUMER IN TERMS OF IDENTIFYING NEW PRODUCT INTEREST AND DEMAND AS WELL AS EVENTUAL EXPORT MARKETS**
    - **SEEK PARTNERS WHO HAVE EXPERIENCED MANAGERS, EQUIPMENT AND CAPITAL**
    - **IDENTIFY POSSIBLE DOMESTIC JOINT VENTURE PARTNERS**
    - **LOCATE POSSIBLE SOURCES OF LONG TERM FINANCING**
    - **START TALKING TO INDUSTRY LEADERS NOW TO BUILD THE FOUNDATION FOR FUTURE INVESTMENT**
- BE PATIENT – THIS PROCESS WILL TAKE TIME AND WILL NEED DETAILED ATTENTION.**



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**PRAGMATISM IS KEY IN PLANNING TO  
CREATE A BUSINESS, EXPAND A  
BUSINESS OR SELLING OF A  
BUSINESS.**

**POTENTIAL EQUITY PARTNERS, BANKS  
AND INSURANCE COMPANIES WILL  
BE GREAT SOUNDING BOARDS FOR  
SCALING THE PROJECT FOR SUCCESS  
– SEEK THEIR COUNSEL!**



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**THANK YOU!**